

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

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SUBJECT: Update on State Legislation

ITEM NUMBER: 7a

ATTACHMENT(S): 1

ACTION: X

MEETING DATE: September 7, 2000

INFORMATION: \_\_\_\_

PRESENTER: Ed Derman

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**SUMMARY**

Attached is a summary of related legislation. Mr. Derman will provide a verbal update at the meeting.

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**1999-2000 Regular Session – August 21, 2000**

[illegible]

AB 107      AUTHOR:      Assembly Member Knox  
               TITLE:      Tobacco divestment  
               AMENDED:    8/8/00  
               LOCATION:    Senate Appropriations (Suspense file)  
               BOARD POSITION: No Position\*

**SUMMARY:** Prohibits new or additional investments in tobacco companies by CalSTRS and CalPERS on and after January 1, 2001 and total divestment by July 1, 2002. Provides indemnification to Board members of CalSTRS and CalPERS.

**COSTS:** Benefit program – None

Administrative –Undetermined transaction costs to divest tobacco investments, with tobacco manufacturers.

P – CFT, CTA, UTLA

0 – CalPERS

AB 141      AUTHOR:      Assembly Member Knox  
 TITLE:       Expands earnings limit for vacant administrative positions  
 LOCATION:   Chapter 22, Statutes of 2000  
 BOARD POSITION: Support\*

**SUMMARY:** Expands the current earnings limit exemption for an additional six months in 2000 for retired members who are hired to fill administrative positions on an emergency basis.

**COSTS:** Benefit program – No actuarial impact. Insignificant foregone actuarial gain.

Administrative – Minor and absorbable.

P – CASBO (sponsor)

O – Unknown

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**1999-2000 Regular Session – August 21, 2000**

[illegible]

AB 429      AUTHOR:      Assembly Member Correa  
 TITLE:      Ad hoc payments to retired members and beneficiaries  
 AMENDED:   8/14/00  
 LOCATION:   Senate Appropriations  
 BOARD POSITION: Sponsor\*

**SUMMARY:** Increases the monthly allowances for specified retired members by one to six percent depending upon year of retirement.

**COSTS:**      Benefit program – \$889 million over 15 years.  
                  Administrative – Up to a \$100,000 one-time cost.

P – CalSTRS (Sponsor), ACSA, CRTA, SSDA  
O – None known

AB 649      AUTHOR:      Assembly Member Machado  
 TITLE:      CalSTRS/CalPERS Membership Election  
 AMENDED:   6/8/00  
 LOCATION:   Assembly Appropriations  
 BOARD POSITION: Support, if amended\*

**SUMMARY:** Permits continued crediting in CalSTRS by a member who becomes employed by the state in a specified bargaining unit. Allows for the conversion of unused educational leave to service credit by specified state employee CalSTRS members of the Defined Benefit (DB) Program.

**COSTS:**      Benefit program – Members who elect to participate pay all contributions. Less than \$20,000 for educational leave provisions.

                  Administrative – Probably minor and absorbable costs

P – DPA, DOJ  
O – SPB

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**1999-2000 Regular Session – August 21, 2000**

[illegible]

AB 816      AUTHOR:      Assembly PER&SS  
 TITLE:      CalSTRS technical housekeeping  
 AMENDED:   8/7/00  
 LOCATION:   Senate Appropriations  
 BOARD POSITION: Sponsor\*

**SUMMARY:** Makes technical changes to the TRL to clarify existing provisions and eliminate superfluous provisions.

**COSTS:** Benefit program – None

Administrative – One-time implementation costs of approximately \$75,000.

P – None known

0 – None known

AB 820      AUTHOR:      Assembly PER&SS  
               TITLE:      Partial redeposits of withdrawn contributions by member and  
                              nonmember spouse; purchase of previously excluded service;  
                              naming new spouse as option beneficiary; repeal of multiple  
                              employer provisions of Cash Balance (CB) Benefit Program; CB  
                              Benefit Program participation by specified Board trustees.  
               AMENDED:    8/7/00  
               LOCATION:    Senate Appropriations  
               BOARD POSITION: Support \*

SUMMARY: Authorizes a CalSTRS member and nonmember spouse to redeposit a portion of contributions previously refunded. Allows specified retired members to make a postretirement election of an option naming a new spouse. Repeals multiple employer provisions of the CB Benefit Program. Permits trustees of districts participating in the CB Benefit Program to participate in the program.

**COSTS:** Benefit program – None.  
Administrative – Minor and absorbable.

P – CRTA, CTA (Co-Sponsors)

0 – None known

[illegible]

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[illegible]

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**1999-2000 Regular Session – August 21, 2000**

[illegible]

AB 2201      AUTHOR:      Assembly Member Honda  
 TITLE:       Highest year final compensation; compounded COLA; 2% at 55;  
                  board elections; 80% purchasing power; career bonus  
 LOCATION:   Assembly Appropriations (Held in committee)  
 BOARD POSITION: Support, if amended (Staff recommendation)

**SUMMARY:** Provides 2 percent at age 55 retirement formula, highest year final compensation for all CalSTRS members, compounded COLA; 80 percent purchasing power and election of CalSTRS members to 13-member Board.

**COSTS:** Benefit program – 2 percent at age 55 (\$8.95 billion); Highest year compensation (\$5.11 billion); Compounded COLA (\$3.4 billion). 80 percent purchasing power, annual costs: (2003-2004, \$76.2 million; 2004-2005, \$82.5 million; 2005-2006, \$88.0 million).

Administrative – One time cost of up to \$92,000 for additional staff workload and one time cost of about \$25,000 for computer system modifications.

P – CTA (Sponsor), AARP State Legislative Committee, ACSA, CFT

0 – None known

AB 2226      AUTHOR:      Assembly Member Mazzoni  
 TITLE:       Employer “pick-up” of member contributions  
 LOCATION:   Not yet assigned in Assembly  
 BOARD POSITION: Pending

**SUMMARY:** Makes a technical change to the employer “pick-up” of member contributions to CalSTRS DB Program.

COSTS:      Benefit program – Pending  
                 Administrative – Pending

P – None known

0 – None known



BILL NO.	>>> STATUS
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AB 2383      AUTHOR:      Assembly Member Keeley  
                  TITLE:      CalSTRS support of district health programs/Part-time  
                                       participation in CalPERS healthcare program  
                  AMENDED: 8/14/00  
                  LOCATION: Senate Appropriations  
                  BOARD POSITION: Support\*

SUMMARY: Expands eligibility under the Public Employees Medical and Hospital Care Act (PEMHCA) administered by CalPERS to authorize contracting agencies and school employers to include certain employees who work less than half time, as specified, for coverage under PEMHCA. Requires CalSTRS to design three specified health benefit plans and report to the Legislature by March 1, 2001.

COSTS: Benefit program – None.  
Administrative – Under \$150,000 annually.  
P – Unknown  
O – Unknown

AB 2456      AUTHOR:      Assembly Member Wright  
                  TITLE:      Deferred Retirement Option Program  
                  AMENDED: 8/14/00  
                  LOCATION: Senate Appropriations  
                  BOARD POSITION: Support, if amended\*

**SUMMARY:** Allows members of CalSTRS' DB Program who retire on or after January 1, 2002 and before January 1, 2011 with at least 20 years service to elect to receive a lump-sum payment and a reduced monthly allowance.

**COSTS:** Benefit program – None.  
Administrative – Ongoing costs of probably \$100,000 annually.

P – FACCC

O – None known

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**1999-2000 Regular Session – August 21, 2000**

[illegible]

AB 2700      AUTHOR:      Assembly Member Lempert  
                  TITLE:      Creditable compensation  
                  AMENDED: 5/26/00  
                  LOCATION: Senate PE&R  
                  BOARD POSITION: Sponsor \*

**SUMMARY:** Makes all compensation for creditable service creditable to the State Teachers' Retirement Plan. Requires the Board to develop and administer a supplemental benefit program for member and employer contributions with service in excess of 1.000 years per school year.

**COSTS:**      Benefit program – Total net costs of \$235 million over a 30-year period.  
                     Administrative – Undetermined net cost.

P-CTA

0 – None known

AB 2745      AUTHOR:      Assembly Member Kaloogian  
                  TITLE:      Public retirement fund: terrorist-sponsoring nations  
                  AMENDED:   5/9/00  
                  LOCATION: Assembly Appropriations (Held in committee)  
                  BOARD POSITION: Oppose\*

SUMMARY: Requires CalSTRS and CalPERS to investigate and report on investments in foreign companies that pose a threat to national security, as specified, on or before January 15<sup>th</sup> each year.

**COSTS:** Benefit program – None.  
Administrative – Unknown, but potentially significant.

P – California Professional Firefighters

0 – None known

[illegible]



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BILL NO.	>>> STATUS
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SB 1693      AUTHOR:      Senator Ortiz  
 TITLE:        80 percent purchasing power  
 LOCATION:    Senate Appropriations (Held in committee)  
 BOARD POSITION: Support (Staff recommendation)

**SUMMARY:** Increases purchasing power protection to retired CalSTRS members and beneficiaries from 75 percent to 80 percent.

**COSTS:** Benefit program – Total annual costs: 2001-2002, \$62.8 million; 2002-2003, \$69.5 million; 2003-2004, \$76.2 million.

Administrative – Minor and absorbable.

P – CRTA (Sponsor), ACSA, ART, CFT, CTA, FAIR, UTLA

0 – None known

SB 1694      AUTHOR:     Senator Ortiz  
                  AMENDED:  8/7/00  
                  TITLE:      CalSTRS/CalPERS Membership Election  
                  LOCATION: Senate Floor  
                  BOARD POSITION: Support\*

**SUMMARY:** Allows a CalSTRS member who becomes employed by the State Department of Education to elect to remain with CalSTRS, and a State Department of Education CalPERS member who becomes employed to perform CalSTRS-covered service to remain with CalPERS.

**COSTS:** Benefit program – Increased costs would be offset by increases in contributions.

Administrative – Minor, if any, impact.

P – State Department of Education (Sponsor), ACSA, AFSCME, CFA

0 – None known

[illegible]

[illegible]

## LEGEND OF ABBREVIATIONS

P = PROPONENTS    O = OPPONENTS

<b><u>ABBREVIATION</u></b>	<b><u>ORGANIZATION</u></b>
AARP	American Association of Retired Persons, State Legislative Committee
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACSA	Association of California School Administrators
AFSCME	American Association of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
A.R.E.	Association of Retirees for Equity
ART	Association of Retired Teachers
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	California Public Employees Retirement System
CalPIRG	California Public Interest Research Group
CalSTRS	California State Teachers' Retirement System
CAPE	California Alliance for Pride and Equality
CASBO	California Association of School Business Officers
CCA	Community College Association
CCAE	California Council for Adult Education
CCC	California Community Colleges
CCPOA	California Correctional Peace Officers Association
CFA	California Faculty Association
CFT	California Federation of Teachers
CNEC	California Network of Educational Charters
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CRTA	California Retired Teachers Association
CSAC	California State Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration
FACCC	Faculty Association of California Community Colleges
F.A.I.R.	Faculty Attempting to Improve Retirement
FCPHE	Faculty Coalition for Public Higher Education
FTB	Franchise Tax Board
LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education



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<b><u>ABBREVIATION</u></b>	<b><u>ORGANIZATION</u></b>
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

### **STANDING COMMITTEES OF THE ASSEMBLY/SENATE**

Assembly PER&SS	Assembly Public Employees, Retirement and Social Security
Senate PE&R	Senate Public Employment and Retirement